

Message Text

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LIMDIS

E.O. 11652: GDS

TAGS: ECON, IS

SUBJECT: STAYING POWER OF ISRAELI ECONOMY

REFS: TEL AVIV 8077, 8228, 8229, 8296

1. SUMMARY. AS WE HAVE BEEN REPORTING, WE JUDGE CIVILIAN SUPPLY AND DISTRIIBUTION SYSTEM ADEQUATE TO MEET ALL ASSIGNED TASKS FOR NEXT TWO-THREE WEEKS. IF WAR CONTINUES BEYOND ONE MONTH, SHORTAGES AND SUPPLY DIFFICULTIES CERTAIN TO BECOME PROGRESSIVELY MORE ACUTE. HOWEVER, WE DO NOT RPT NOT BELIEVE THAT ECONOMY WILL GRIND TO HALT, AS FAR AS ESSENTIAL ECONOMIC TASKS ARE CONCERNED. NONE-THELESS, LOSS OF "FRILLS" SUCH AS EXPORTS AND MANY CIVILIAN-TYPE GOODS, CONSTRUCTION OF HOUSING AND INVEST-MENT PROJECTS--ALREADY HARD-HIT--WOULD AMOUNT OVER TIME TO SERIOUS CHARGE ON ECONOMY. THIS WILL MEAN THAT ISRAEL WOULD BECOME MORE DEPENDENT ON FOREIGN CHARITY, WHETHER UJA OR USG, THAN HAS BEEN CASE IN RECENT PAST, WHEN INFLOW OF FUNDS HAS BEEN GENEROUS. END SUMMARY.

2. AS ISRAELI PAPERS BEGAN TO QUOTE CAIRO'S HASSANAYN HAYKAL'S STATEMENT THAT ISRAEL COULD NOT STAND UP UNDER MORE THAN TWO TO THREE WEEK MOBILIZATION FOR MAJOR HOSTILITY, BOTH ORDINARY CITIZENS AND OFFICIALS WHO OUGHT

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TO KNOW DISPLAY GENERAL CONFIDENCE IN ISRAEL'S STAYING

POWER.

3. ON STRICTLY DOMESTIC SIDE OF ECONOMY, ESSENTIAL SERVICES AND FOOD SUPPLY BEING MAINTAINED AT ADEQUATE LEVELS BUT WITH UNDERSTANDABLE SLOWNESS AND OCCASIONAL BOTTLENECKS. ABSENCE OF SO MANY RESERVISTS AT FRONTS REDUCES NEED FOR MANY SERVICES; FOR EXAMPLE WHILE BUS SERVICE IS GREATLY REDUCED, WE SEE FEW QUEUES FOR BUSES.

4. ABOVE ALL WE SEE NO FLAGGING OF MORALE. PEOPLE ARE PATIENT WITH EACH OTHER, PLACES LEFT BY MOBILIZED RESERVISTS ARE BEING FILLED BY EAGER VOLUNTEERS, SCHOOLS THROUGH 10TH GRADE ARE OPEN AS USUAL. THURSDAY WAS SIMHAT TORAH HOLIDAY SO SHOPS AND SCHOOLS WERE CLOSED BUT ESSENTIAL ACTIVITY CONTINUED. ON THE STREETS OLDER PEOPLE STILL SIP COFFEE IN SIDEWALKS CAFES, YOUNG SOLDIERS POP INTO THEIR HOMES FOR A SHOWER AND CHANGE OF UNDERWEAR.

5. SUPPLY AND DISTRIBUTION SYSTEM IS ADEQUATE TO KEEP ESSENTIAL GOODS AND SERVICES FLOWING FOR NEXT TWO-THREE WEEKS. THIS IS MAINLY BECAUSE AVAILABLE TRANSPORT IS BEING STRICTLY CONTROLLED TO MOVE FOOD, AND SUPPLIES FOR MILITARY INDUSTRIES. THUS FAR GOVT HAS TRANQUILIZED SITUATION AND NOT INTRODUCED RATIONING. GOVT WOULD OBVIOUSLY BE EXTREMELY RELUCTANT TO INTRODUCE RATIONING, SINCE IMPLICATION OF STALEMATED WAR WOULD HAVE IMPACT ON MORALE. IN ANY CASE, RATIONING IS APPARENTLY NOT NECESSARY, UNLESS WE ARE BEING SERIOUSLY MISLED. NONETHELESS, TRUCK TRANSPORT IS IN VERY SHORT SUPPLY, AND SIGNIFICANT NUMBERS OF CIVILIAN VEHICLES HAVE BEEN REQUISITIONED. RAIL TRANSPORT INSIGNIFICANT. MUCH OF MAINTENANCE AND GARAGE PERSONNEL ARE MOBILIZED AND WORKING FULL-TIME FOR ARMY. MAJOR WORRISOME ELEMENT IN PRESENT PICTURE APPEARS TO BE IN AREA OF HEAVY TRUCKS FOR INLAND DISTRIBUTION OF BULK SUPPLIES. THUS THERE IS APPARENTLY SOME ACCUMULATION OF IMPORTS IN PORTS AWAITING DISTRIBUTION TO USERS. EXPORTS ARE NOT MOVING TO PORTS IN NORMAL VOLUMES. ALSO THERE ARE SOME DELAYS IN TRANSPORTING FINISHED BULK ITEMS LIKE ANIMAL FEED STUFFS, FLOUR, ETC., TO USERS. BUT WE REPEAT, ESSENTIAL SUPPLIES TO PUBLIC ARE HOLDING UP WELL AND SHOULD CONTINUE TO

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DO SO.

6. CONSTRUCTION IS AT STANDSTILL; THIS INCLUDES HOUSING AND INVESTMENT PROJECTS ALIKE. JEWISH CONSTRUCTION LABOR FORCE, PRESUMABLY ABLE-BODIED, IS MOBILIZED, WHILE MOST ARABS FROM OCCUPIED AREAS ARE NOT COMING TO WORK FOR VARIETY OF REASONS, INCLUDING FEAR, ABSENCE OF JEWISH FOREMEN, LACK OF TRANSPORT FOR THEM AND FOR SUPPLIES. CITRUS HARVEST HAS

ALREADY BEGUN, BUT KIBBUTZIM ARE REPORTING THAT THEY HAVE ENOUGH UNSKILLED LABOR AT PRESENT. VOLUNTEERS EAGER TO COME TO ISRAEL TO WORK IN CIVILIAN ECONOMY ARE GETTING COOL RECEPTION UNLESS THEY ARE TRAINED IN SOME SKILL. PROBLEM OF CITRUS WILL BECOME MORE PRESSING IN TWO MONTHS, WHEN ORANGE PICKING BEGINS ON LARGE SCALE. AT THAT TIME SHORTAGE OF UNSKILLED LABOR AND INTERNAL TRANSPORT WILL POSE SEVERE PROBLEM IF WAR STILL GOING ON.

7. IN TERMS OF WAR EFFORT AND ULTIMATE STAYING POWER THESE ARE "FRILLS". TO TAKE THE WORST CASE AND ASSUME BROAD-SCALE DEVELOPMENT OF "FOR WANT OF A NAIL" SITUATIONS, ISRAELI POPULATION AND ECONOMY STILL WOULD HAVE CONSIDERABLE RESILIENCY. MOST SUPPLIES COULD BE CARRIED IN SMALL QUANTITIES IN AMPLE FLEET OF PERSONAL AUTOMOBILES. POPULATION COULD TIGHTEN BELT, LIMIT DIETS. ESSENTIAL WORK COULD BE PERFORMED AT REDUCED EFFICIENCY BY AMPLE QUANTITY OF VOLUNTEERS, FOREIGNERS AND ISRAELIS.

8. IN ABOVE ANALYSIS AND REFTELS WE HAVE CONCENTRATED IN ESSENTIALS LIKE TRANSPORT, MANPOWER, PRODUCTION FACILITIES FOR WHAT IS NEEDED TO MAINTAIN LIFE. IMMEDIATE AND FUTURE FINANCIAL COSTS ARE OBVIOUSLY NOT GETTING MUCH ATTENTION. BUT AS HAS BEEN CASE THROUGHOUT HISTORY OF STATE OF ISRAEL, ISRAELIS DO WHAT HAS TO BE DONE AND WORRY LATER ABOUT HOW TO PAY. THEY ARE ENCOURAGED IN THIS APPROACH BY APPARENT GENERAL OUTFLOW OF FINANCIAL SUPPORT FROM FRIENDS IN US AND REST OF WORLD. IF EXPORTS DON'T MOVE, FOREIGN FUND RAISING CAN (AND APPARENTLY IS) PROVIDING FOREIGN EXCHANGE TO PURCHASE ESSENTIAL SUPPLIES. HIGH MORALE OF ISRAELIS ENABLES THEM TO WAIT FOR BETTER HOUSING. FOREGONE PRODUCTION IS COSTLY, BUT BEARABLE. INTERNAL FLEXIBILITY OF ISRAELI ECONOMY AND RESERVES OF MANPOWER
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(EVEN THOUGH OF LOWER QUALITY) ENSURE THAT ECONOMY WILL CONTINUE TO FUNCTION, THOUGH OBVIOUSLY AT SUBNORMAL LEVEL. INGENUITY UNDER PRESSURE IS ONE OF ISRAEL'S GREAT STRENGTHS; WE SHOULD ASSUME THAT IT WILL BE EVIDENT UNDER EVEN MUCH MORE STRINGENT CONDITIONS THAN PRESENTLY OBTAIN ON HOME FRONT. IDEA THAT ECONOMY WOULD "GRIND TO
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